

REMARKS

Claims 1-20 are currently pending in the application. Claims 1-20 are rejected under 35 U.S.C. § 103(a) as being unpatentable over Madoff et al. (U.S. Patent No. 7,162,448, referred to herein as “Madoff”) in view of Hauser et al. (U.S. Patent No. 6,061,789, referred to herein as “Hauser”) further in view of Lutnick et al. (U.S. Patent No. 6,850,907, referred to herein as “Lutnick”) further in view of Keith, U.S. Patent No. 7,315,840 (referred to herein as “Keith”).

To overcome the objection raised by the Examiner to the mis-labeling in Response (D) filed May 13, 2010 of claim 17 as “previously presented”, Claim 17 is presented again with the label “currently amended” and includes both the amendments presented and mis-labeled in Response (D) as well as amendments currently presented.

In compliance with MPEP Section 713.04, Applicants note that Examiner Bijendra K. Shresthra initiated a telephonic interview with attorney Stephen Y. Chow held on May 21, 2010 regarding support in the application for the pre-set “threshold” price-improvements recited in Claims 1, 7, 10, 11, 17 and 20. Attorney Chow directed Examiner Shresthra to the paragraphs numbered 0046 et seq. (as appear in the published application US 2004/054804 A1, referred to herein as the Application), which gave “as an example” a \$0.01 threshold price improvement submission. Examiner Shresthra opined that the Madoff “price improvement” also had to be greater than “\$0.01” because of the inherent nature of measuring units in the Madoff system. Attorney Chow maintained that the price improvement threshold price improvement threshold in Applicants’ invention was set according to different market considerations from Madoff. The issue was not resolved, and Examiner Shresthra mailed the pending Office Action on May 27, 2010 with a brief summary of the interview mailed on June 3, 2010.

Applicants respectfully traverse the §103 rejections, but amend Claims 1, 7, 10, 11, 17 and 20 to more clearly claim that that a bid or offer must be better than a “threshold” price improvement (e.g., Application paras. 0046, 0052, 0055) to initiate the secondary auction for a set price improvement period (e.g., Application paras. 0049, 0059, 0060) during which the

bidder or offeror are anonymous (e.g., Application paras 0058, 0059). The reason for this system is to allow a “true auction” (Application para. 0058) “where all the prices are firm from the beginning, where the auction cannot be cancelled by the facilitation firm, and where no one gets a last look to change one’s price before the auction ends.” Applicants believe that this may address the Examiner’s view that the distinction from Madoff was not explicitly claimed.

Applicants respectfully submit that Madoff specifically and as a whole teaches away from the price improvement period (PIP) processor of Applicants’ invention that is directed to a special type of secondary auction with the constraints of Application paras. 0058 and 0059 (among others). Thus, while Lutnick, Hauser and Keith may or may not disclose a feature of their respective systems that may map to a claim term in the instant Application to which nothing in Madoff maps, they involve different systems directed to different ends and cannot overcome the teachings of Madoff to conduct its price-improvement extension of the primary auction. Madoff teaches the extension of a primary auction through a time-limited order by a particular participant where “counterbids” are made relative to the conditioned order (so participant information is not visible and not necessary for this extension); Applicants’ invention teaches a true, second auction initiated by a threshold price improvement for a preset time where prices and quantity are visible, but to prevent hedging and other devices, identity is not. While the Supreme Court’s decision in *KSR* recognized that combination of old “elements” need not be taught, suggested or motivated by the prior art, it recognized that if the art teaches away from the combination of elements, that is to be considered in determining obviousness or lack thereof. Here, Applicants show that each of the references relied on in the Office Action teach away from their combination to achieve Applicants’ invention and do not even supply missing “elements”: none of them teach a secondary auction, which is the core missing element. Features of the references are not components that may be lifted from one system and placed in a system (in this case, Madoff) that has a operation and purpose relying on the absence of those features. Madoff teaches the participant-specified time-limit order as a means of price improvement; Applicants’ invention is the conduct of a true secondary auction initiated by a threshold price improvement.

Madoff discloses an extension of the underlying primary auction reflected across electronic markets in National Best Bid/Offer (“NBBO”), essentially setting the parameters of

the primary auction by having the market participant specify an exposure time and a price improvement – essentially making a time-limited order within the same underlying auction. The “price improvement mechanism” disclosed and taught in Madoff is based on a fixed exposure time specified in the originating order (col. 1, lines 49-53; col. 1, line 64 to col. 2, line 5; col. 2, lines 10-12; col. 2, lines 21-24; col. 2, lines 29-32; col. 4, lines 57-65 [“[t]he life span can be variable and can be any set time period”]; col. 6, lines 14-20 [“chosen exposure time”]; col. 7, lines 56; col. 9, lines 64-66; col. 20, lines 28-30; col. 11, lines 13-22; col. 11, lines 48-53 [alternate embodiment of collecting all responses over the exposure duration]; col. 12, lines 57-59). Madoff’s “price improvement” is also specified at the time of order by the offeror or at the time of response by the responder relative to the National Best Bid/Offer (col. 5, lines 58-59; col. 6, lines 56-59; col. 7, lines 52-55; col. 9, lines 13-18; Fig. 11; col. 12, lines 10-30). Madoff also teaches the advantage of “trading interest to remain anonymous as to price, size and identity” (col. 2, lines 65-66; col. 7, lines 56-57). Thus, the Madoff approach is directed to an offeror-specified time period (in Madoff’s words, a “pre-defined relative indication”) during which respondents may or may not match the offeror’s conditions, without any knowledge of the bidding for the offer. Respectfully, this is not a “secondary auction” as the Examiner asserts in paragraph 2 of the Office Action and certainly not a “true auction”. Madoff teaches away from the secondary auction disclosed and claimed in the instant application in which, during the market-established auction period, participants respond to proposed price improvements.

In Applicants’ invention a secondary auction (Application para. 0007) is initiated by a market participant offering a price improvement over the NBBO of greater than a threshold established by the exchange, which auction is conducted during a price improvement period (“PIP”) of a consistently short period of about three seconds set by the exchange (Application para. 0033). During the secondary auction, although anonymity of identity is used, unlike the teaching in Madoff, prices and quantities of other market participants are visible to market participants through book 25 in the instant invention (Application paras. 0011, 0024) and improvement orders may be made (Application para. 0034). Thus, unlike Madoff, the instant invention provides a fast secondary auction.

Referring to the Examiner's Detailed Action paragraph 2, as to Claims 1 and 7, Applicants respectfully traverse the Examiner's equation at paragraphs 5(b)-(d) of Applicants' electronic order book 25 to the server memory of Madoff, the updating of that book with parsed information, and the transmission of that information to market participants. Applicants particular traverse the suggestion in paragraph 2(d) that in Madoff the information is displayed to market participants during the transaction. Not only does Madoff not disclose such display to market participants during the transaction – which is essential to the secondary auction disclosed and claimed in the instant application – but Madoff teaches away from an auction with the bids visible to participants with a “pre-defined relative indication” that is “dormant and unseen by other participants” (col. 2, lines 65-66; col. 7, lines 56-57 [emphasis added]). As discussed above, Madoff teaches a market-participant-established extension of a price improvement over a market-participant-established exposure period that is accepted or not without the interaction of a secondary auction here claimed. What is taught is that the “trading interest [should] remain anonymous as to price, size and identity” (col. 2, lines 65-66; col. 7, lines 56-57).

Because Madoff teaches away from a secondary auction – by teaching away from an interactive secondary auction period of the instant invention in which bids prices and quantities – Hausser, disclosing anonymous auction -- is not relevant. The issue is not that a Madoff price-improvement transaction can be completed anonymously, but whether Madoff even suggests secondary auctions with prices and quantities visible to and acted upon by participants during a price improvement period set by the auction operator of all auctions. Madoff teaches away from making visible price and quantities bid during the participant-selected exposure period (col. 2, lines 65-66; col. 7, lines 56-57).

Applicants also respectfully traverse the Examiner's equation at paragraph 2(e) of Applicants' initiation of a secondary auction during a price improvement period set by the exchange to Madoff's specification of an exposure period for an offer; Madoff does not disclose a preset price improvement threshold or a “preset price improvement period,” both required by Claims 1 and 7. Applicants respectfully submit that Lutnick teaches neither a preset price improvement threshold nor a preset price improvement period; the disclosure cited by the Examiner, Lutnick col. 12, lines 16-44, Fig. 6, steps 650-700 (col. 8, lines 25-29 appear to be

related to some kind of safety-valve), discloses the use of the market price as a determination of whether there exists price improvement, not that a magnitude of price improvement is set as a threshold for initiating a secondary auction. Again, Madoff does not teach an interactive secondary auction initiated upon a threshold, pre-set improvement for a preset period of time, it teaches a market participant's setting of a desired price improvement and setting of an exposure period – an extension and limitation of the primary auction. Even if Lutnick taught a preset price improvement threshold for initiation of a new auction rather than as a safety valve or management of the primary auction – which it does not – and even if Madoff did not teach away from such a preset price improvement by teaching participant-set price improvement, the combination does not teach a preset price improvement period; Madoff teaches away from that by teaching a participant-set exposure period.

Applicants also respectfully traverse the Examiner's citation of Keith both as to whether it is prior art by virtue of its filing date relative to the provisional filing date of the instant Application and whether it is applicable at all to the instant Application. Keith teaches a "cleanup" strategy in which orders are "spawned" based on existing interest but with a minimum increment (or decrement). This is all based on and executed on the existing primary auction; Keith (col. 9, lines 57-65) takes an "interest" and executes it as a best price plus a minimum increment (\$0.01). This is not a threshold for beginning a secondary auction as in the Applicants' invention. It is not a threshold at all. Thus it cannot be combined with Madoff, which itself teaches away from a secondary auction to teach a threshold price improvement, said threshold preset at the processor, that initiates a secondary auction.

Because Madoff teaches away from Claims 1 and 7, even in view of Hauser, Lutnick and Keith, Claims 1 and 7, and Claims 2-6 and 8-9, respectively dependent on them, are not rendered unpatentable by either Madoff, Hauser, Lutnick or Keith individually or in combination.

Applicants additionally respectfully traverse paragraphs 4 and 5 of the Detailed Action regarding Claims 3 and 4, as Madoff does not disclose a "preset price improvement" that is a trigger to commencing a secondary auction, but only a price improvement selected by the offeror. Moreover, the references in those paragraphs 4 and 5 do not support the assertion;

indeed, the reference in Madoff column 4, lines 55-65, suggests long time periods of 15 or 30 seconds for the participant-selected Madoff exposure period – which has completely different bases than the 3 second time period appropriate for the exchange-established interactive auction period claimed in Claim 4. Applicants additionally respectfully traverse paragraphs 6 and 7 of the Detailed Action, regarding Claims 5 and 8 and Claims 6 and 9, respectively, as Madoff does not disclose or suggest any of the specific allocations limiting these claims.

Applicants respectfully traverse paragraph 8 of the Detailed Action as to Claim 10, as, explained in detail with respect to Claims 1 and 7 above, Madoff does not disclose an interactive secondary auction with a price-improvement threshold and duration set by the exchange. Specifically, Madoff teaches (col. 2, lines 65-66; col. 7, lines 56-57) away from the requirement in Claim 10 that “contra market orders or bids [are] displayed to auction participants during the price-improvement auction period.” Hauser does not add to Madoff in this regard; again, the issue is not privacy, but whether an interactive secondary auction is conducted at all and for the reasons set forth in Application paras. 0058 and 0059. Again, Lutnick does not teach a preset price improvement threshold, only the use of a market price to determine whether there exists price improvement. Again, Keith does not teach a threshold for a secondary auction. Even if combined, which Madoff teaches against, there is no preset price improvement threshold or price improvement period (secondary auction).

Referring to the Examiner’s Detailed Action paragraph 9 as to Claims 11 and 17, Applicants respectfully traverse on the same bases as argued above relative to paragraph 2, as to Claims 1 and 7. Madoff does not disclose, but teaches away from an interactive secondary auction of a price improvement period or duration set by the exchange. As explained in the above response to paragraph 2, Madoff teaches away from the elements proposed to be included from Hauser, Lutnick and Keith, but even if combined, fails to teach a preset price improvement period in which a secondary auction is conducted as claimed here.

Because Madoff teaches away from Claims 11 and 17, even in view of Hauser, Lutnick and Keith, Claims 11 and 17, and Claims 12-16 and 18-19, respectively dependent on them, are not rendered unpatentable by either Madoff, Hauser, Lutnick or Keith individually or in

combination. Applicants refer to and adopt its arguments above relative to paragraphs 4 through 7 of the Detailed Action in response to paragraphs 10 through 14 of the Detailed Action.

Applicants respectfully traverse paragraph 15 of the Detailed Action as to Claim 20, as, explained in detail with respect to Claims 1 and 7 above, Madoff does not disclose an interactive secondary auction with a price-improvement threshold and duration set by the exchange. Specifically, Madoff teaches (col. 2, lines 65-66; col. 7, lines 56-57) away from the requirement in Claim 20 that "improved bids or orders are . . . displayed anonymously to auction participants during the price-improvement auction period." Hauser does not add to Madoff in this regard; again, the issue is not privacy, but whether an interactive secondary auction is conducted at all and for the reasons set forth in Application paras. 0058 and 0059. Again, Lutnick does not teach a preset price improvement threshold, only the use of a market price to determine whether there exists price improvement. Again, Keith does not teach a threshold for a secondary auction. Even if combined, which Madoff teaches against, there is no preset price improvement threshold or price improvement period (secondary auction).

Thus request that the Examiner withdraw the rejections and grant favorable consideration and allowance.

Upon review of this paper, the Examiner is invited to contact the undersigned at 617-345-3263 with any questions or comments.

Respectfully submitted,

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